EXTENSIONS OF REMARKS

CALLS WAITING

HON. WES COOLEY

OF OREGON

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 31, 1995

Mr. COOLEY. Mr. Speaker, the telecommunications industry is undergoing tremendous change. The advent of new technology has brought both new opportunities, and new anxieties, to millions of Americans.

Recognizing the tremendous shift in telecommunications, the U.S. Congress is on the verge of passing sweeping legislation which would free companies from years of stifling government regulation. Although I applaud these efforts, we must be cautious not to assume that fair and open competition will be the immediate result.

So that we may all be more aware of the potential difficulties in transitioning to an open market, I commend to you an article recently printed in the Wall Street Journal. This article should force us to approach the question of telecommunications deregulation cautiously, and with the proper consideration to the hundreds of thousands of Americans who rely on a vibrant, competitive communications industry for their livelihood.

[From the Wall Street Journal, Oct. 24, 1995]

CALLS WAITING: RIVALS ARE HUNG UP ON BABY BELLS' CONTROL OVER LOCAL MARKETS

(By Leslie Cauley)

GRAND RAPIDS, MI.—The color-coded maps pinned to office walls tell the story of US Signal Corp., which has struggled for more than a year to get a toehold in the local telephone market here.

''This is where we are,'' says Martin Clift, US Signal's director of regulatory affairs, as he points to a small patch of yellow covering 10 downtown blocks. ''This is where we want to be,'' he adds as he motions to the entire 238-square-mile service area. ''But they won't let us.''

''They'' are executives at Ameritech Corp., the Chicago-based regional Bell that holds a monopoly on service here in US Signal's hometown. US Signal says Ameritech has fought nearly every step of the way as the upstart tries to expand into this community of 500,000 in the heart of Ameritech territory.

US Signal hoped to cover half the city by now, but has been able to lease only about 1,700 of the thousands of lines it wants from Ameritech. For most of the past year, the Baby Bell has refused to let it branch out unless US Signal installs expensive gear US Signal says it doesn't need. The smaller rival accuses Ameritech of dragging its feet in processing orders, trying to levy bogus fees and refusing to refund $240,000 for services it never provided. The bickering has cost US Signal more than $1 million in legal fees—far more than the revenue it gets in the market. US Signal Executive Vice President Brad Evans says: ''We are at the end of our rope.''

Ameritech denies that it has treated US Signal unfairly.

ARSENAL OF TACTICS

More than a decade after the federal government broke up the old AT&T empire, spinning off the seven Baby Bells to end anticompetitive, behavior, the Bells employ an arsenal of tactics to keep competitors at bay. Rivals say the Bells have stalled negotiations, imposed arbitrary fees and set Byzantine technical requirements that jack up costs and cut profits.

''They can virtually make competitors' lives hell,'' says Terrence Barnich, formerly the top telephone regulator in Ameritech's home state of Illinois.

The Bells insist they play fair and say they have an obligation to protect their shareholders and the huge investments in their networks. While rivals often target only the most lucrative customers, the Bells alone have the responsibility to provide service for everyone, even the poorest and most hard-to-reach customers. It is critical, therefore, that new regulations don't unfairly favor newcomers merely for sake of encouraging competition, they say. ''We don't believe standing up for fair rules is anticompetitive,'' says Thomas Reiman, an Ameritech senior vice president.

RACE TO DEREGULATE

Now Congress is racing to deregulate the nation's telecommunications markets. Bills have cleared the House and Senate, and a conference committee is hammering out joint legislation. Passing a new law will be the easy part. Unraveling the government-sanctioned local monopolies—and ensuring that the Bells play by the rules—will be far more difficult.

''It will be extremely messy,'' says Eli Noam, director of the Institute of Tele-Information at Columbia University in New York. ''It will take a long time for a new competitive equilibrium to be reached—if ever.''

Congress wants to let the Bells enter the lucrative long-distance business after they meet a ''checklist'' showing their local markets are open to competition. Yet local service still provides more than 90% of their combined annual profits. Rivals fear the Bells will exploit vagueness in the legislation (what constitutes ''fair'' pricing and ''timely'' negotiations?) to protect their turf.

Ameritech, which serves a five-state region in the Midwest, takes pride in being the first Bell to embrace opening up the local monopoly. Its ''Customers First'' plan, unveiled two years ago, hailed ''a fully competitive communications marketplace.'' It embodied the basic Bell pitch to Washington: We will let rivals in—if you let us into long distance. The Bells were banned from that market under the terms of the 1984 AT&T split-up.

NEGOTIATING PLOY

But US Signal and other competitors say Ameritech fails to live up to its Customers First plan. The Baby Bell says it has treated US Signal fairly and rejects assertions that it drags out negotiations or hinders rivals. It says it tries to accommodate them as best as it can and that most complaints are a negotiating ploy.

''There are fundamental issues on which we aren't going to lie down and die, just for fear of being branded as anticompetitve,'' says Ameritech's Mr. Reiman. Steve Nowick, president of its long-distance unit, says rivals expect the Baby Bell to juggle ''27 variations'' of the same request. ''There is a lot of complexity here. We're dancing as fast as we can.''

Ameritech has abundant company in the litany of complaints lodged against the Bells. For example:

Nynex Corp. last year touted itself as the first Bell to sign a contract letting a competitor hook up directly to its network. But last week the rival, Teleport Communications Group, asked New York state regulators to ''investigate Nynex's attempt to stifle local telephone competition.'' The pact was supposed to be implemented within 60 days. Sixteen months later, most of the terms still haven't gone into effect.

Nynex denies the charges and accuses Teleport of ''grandstanding.'' It also says the rival is behind in paying its bills, which Teleport denies.

US West Inc. of Denver tried to convince a rival—believed to be AT&T—that they should avoid each other's markets, a lawsuit in Delaware Chancery Court alleges. US West denies the charge, leveled two weeks ago by its partner-turned-adversary, Time Warner Inc. AT&T declines to comment.

In a complaint filed with the Justice Department this month, LCI International Inc., of Reston, Va., says US West shut off service to 4,000 LCI customers in the Denver area, prompting 24% of them to cancel. It says US West hurt LCI in several markets by failing to provide services as promised. When some customers called US West to complain, they were told LCI had gone belly-up, the complaint says.

US West concedes that ''errors occurred'' but says they were inadvertent.

SBC Communications Inc., the San Antonio-based Bell, charges huge markups when selling network equipment to rivals, MFS Communications Co. of Omaha, Neb., contends. Other Bells let rivals buy gear elsewhere and pay the Bell to install it. SBC requires that they buy from SBC. It charges $137,000 for a pair of ''multiplexers'' that usually cost $67,000; and $21,000 for running a cable that typically cost $900, MFS claims.

SBC says it marks up prices by 25% at most, as allowed by federal rules. It declines to release any specifics and says its rates are confidential.

UNEQUALED POWER

Conflicts with the Baby Bells, however, underscore the unequaled power the Bells have in dealing with rivals. The Bells still lock up 98% of local revenues in their regions. That stems from their control over millions of phone lines that reach into homes and businesses—an infrastructure that took $100 billion and most of the 20th century to put in place.

For new entrants, duplicating these ''local loops'' that run from Bell switching centers to customer sites would be financially impossible. So they try to lease Bell lines at ''fair'' rates, count on the Bells for seamless technical links and access to switching sites, and depend on them to fix things when service goes down.

That sparks clashes on seemingly small items. Teleport, which serves business customers, accuses Nynex of hoarding phone numbers. In a complaint to the Federal Communications Commission last week, Teleport, of Staten Island, N.Y., says it asked the Bell for 60,000 numbers in Manhattan's 212 area code but got just 20,000. Some big accounts can use 5,000 at a crack. It sought an additional 20,000 numbers in the Bronx but says Nynex refused to provide them until Teleport installs an unneeded switch at Nynex's Bronx site.

Nynex's director of regulatory planning, Larry Chu, questions whether Teleport ''really needs'' 60,000 numbers in Manhattan. He says the Bronx incident was a ''misunderstanding.''

INTERCONNECT TO NETWORK

If a newcomer wants to sidestep Bell lines and partner up with, say, the local cable-TV system, it still must ''interconnect'' to the Bell network so calls can go through. In negotiating interconnection agreements, rivals say the Bells often drag out the talks to thwart them. Only a few deals have been reached.

Most Bells won't let rivals near their own equipment once it is installed, unless they have a Bell escort. That adds to rivals' expenses and ensures that the Bells know exactly what the newcomers are up to.

When a Bell installs a rival's gear, it charges rent for the space the electronic boxes occupy. The fees ''can be more expensive than a penthouse at Trump Tower,'' quips Andrew Lipman, an MFS senior vice president. Setting up in a 10-by-10 foot space, cordoned off with chain-link fencing, can run $60,000 up front, plus charges for power, cabling and rent that can add up to $2,000 a month.

Once inside, rivals don't exactly get the welcome mat. Bell Atlantic Corp. employees in Philadelphia once refused to let MFS workers use the restrooms because they weren't required to by the FCC. ''To us, that epitomized the kind of obstacles we face every day,'' MFS's Mr. Lipman says.

Bell Atlantic spokesman Eric Rabe responds: ''I'm sure when Wendy's shows up next to McDonald's, they don't exactly roll out the red carpet. That's the nature of competition.'' He says the company is getting better at working with rivals.

AT&T IN CHICAGO

Even giants haven't fared well in negotiating with the Bells. AT&T, one of the world's most powerful telecommunications companies, has been trying to break into the Chicago market under Ameritech's Customers First plan since last spring, to no avail.

AT&T says Ameritech won't disclose where ''conduit space'' is available for AT&T to install new lines, thereby hindering AT&T in designing its network. The long-distance giant has resorted to having its engineers walk the streets, peeking under manhole covers to find the space.

Although AT&T had hoped to launch local service later this fall, it now says it doesn't know when it will proceed.

''This process just hasn't worked,'' says William Clossey, an AT&T regional vice president.

Tom Hester, Ameritech's general counsel, says of AT&T: ''Here they are, one of the world's largest corporations with a tin cup expecting us to fill it up.''

US Signal had hoped to avoid such experiences in Grand Rapids. Local entrepreneur Ron VanderPol founded the closely held company in 1983, aiming to get into long distance in the wake of the AT&T split. US Signal now derives about $80 million a year in long distance, mostly in Ameritech's region. It figured its hometown would be the perfect place for getting started in local service.

The city ostensibly was one of the nation's most open local phone markets. A 1992 state law—supported by Ameritech—required local phone companies to let rivals hook up to their networks.

MAJOR HURDLES

US Signal filed for state approval as a local carrier in April 1994 and planned to offer service by the fall. But after US Signal's first meeting with Ameritech later that month, ''we knew we had major hurdles,'' US Signal's Mr. Clift says.

The Bell balked at leasing out any of its phone lines, depriving US Signal of a way to reach customers.

Ameritech negotiators also wanted to charge US Signal $4.40 per name to list customer phone numbers in Ameritech directories. Yet US Signal says the Bell pays phone companies in adjacent areas 30 cents apiece to list the other companies' customers' numbers.

US Signal also says Ameritech refused to refund $240,000 that it had paid it to install gear in five switching sites. The gear was never put into place. Ameritech says it spent the money preparing the sites, then decided against installing the equipment. It did so after a federal appeals court in Washington struck down FCC rules ordering the Bells to let rivals install and maintain their own gear.

In August 1994, US Signal formally complained to Michigan regulators. In February, regulators ordered Ameritech to file new prices and terms for interconnection agreements.

Ameritech did—five times in the succeeding eight months. State officials rejected all of the proposals. A sixth attempt, filed this month, is under review. Representatives of the Michigan Public Service Commission say Ameritech tried to set exorbitant prices, dictate how rivals must set up their networks, and impose charges the state doesn't allow.

For example, Ameritech proposed charging rivals $20.37 a month plus 8.2 cents a call for a customer who wanted to leave Ameritech but hold on to the old phone number.

Regulators ordered Ameritech to reduce that monthly fee to about a dollar.

After pressure from state officials, US Signal says Ameritech made a new offer: Set up your network the way you want, but we will lease you only 96 lines per switching site—instead of the thousands per site that US Signal wanted. Do it our way, Ameritech said, and you will get as many lines as you want. ''We just couldn't possibly believe they were serious,'' Mr. Clift says. ''But they were.''

TRIAL BASIS

This month, Ameritech backed down a bit. It dropped its demand for extra fees for directory listings. The Bell also agreed to lease all the lines US Signal wanted, regardless of how US Signal set up the network. Just one catch: This will be on only a six-month trial basis, leaving the Bell free to rescind the deal next year.

Two weeks ago, Ameritech filed a motion in the Michigan court of appeals, challenging the authority of regulators and legislators to force the Bell to open up its network. That seems to fly in the face of the company's self-styled image as a crusader for competition in the local phone business. ''I don't really understand it,'' says Mat Dunaskiss, a state senator who helped draft the open-market law. He calls the Bell's action ''a step backward.''

Ameritech says it filed because it felt regulators ''went beyond their authority'' in ordering the Bell to provide rivals with connections that Ameritech says are priced below its costs. But Ameritech says it still supports ''full and fair competition.''

US Signal argues otherwise. One day earlier this month, the tiny rival was besieged with complaints from dozens of customers who kept getting rapid busy signals when they dialed. Engineers checked the system and concluded that Ameritech hadn't set up enough lines to handle the calls.

Mr. Clift says Ameritech readily conceded its error and took care of the problem, which Ameritech says also affected its customers that day.

Customers are beginning to blame US Signal for the foul-ups, even though the company has no control over such matters. ''Customers say it's our fault, and let us know they never had these problems with Ameritech,'' says Mr. Clift, who worries some will make good on their threat to go back to the Bell.

''They haven't left us yet,'' he says with a sigh. ''But they're threatening.''

JACK LASKOWSKI, A TRUE LEADER

HON. JAMES A. BARCIA

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 31, 1995

Mr. BARCIA. Mr. Speaker, many of us know how important the labor movement has been for the improvement of working conditions and fair compensation for millions of Americans. None of this would have happened if it had not been for tireless, visionary individuals who were willing to work on behalf of their coworkers. Jack Laskowski, the current director of UAW region 1D, has been such an individual who was honored for his dedication at an event last Friday.

Jack has been a member of UAW Local 362 since 1958 when he started to work at General Motors's CPC Powertrain plant in Bay City. He followed on the traditions established by his father, Walter ''Bullet'' Laskowski, who took part in the UAW's first strike at the Chevrolet plant in Bay City in 1936, which led to the formation of Local 362.

Since 1958, Jack has served as a member of the bargaining committee, chaired by his father. He also was a benefit plans representative and editor of the local paper until he joined the staff of the international union. Jack served on the staff of 1D since 1971, and then became the assistant director in June, 1986, and finally director on June 17, 1992. He has been a vital component of labor's presence in Saginaw, Bay City, and the northern portion of Michigan's lower peninsula.

Jack's involvement in matters affecting people extend beyond his activities in the UAW. He has served as a member of organizations like the NAACP and the Coalition of Labor Union Women. He served a 3-year term as a city commissioner of Bay City. He has throughout his adult life been active in the Democratic party, including his current membership of the Kent County Democratic Party Executive Committee.

He and his wife Sally also raised three wonderful sons, Greg, Tim, and Mike, who have become a bilingual special education teacher, a director of labor at Occupational Health Care, and another generation of GM worker and member of UAW Local 2031, respectively.

I have had the good fortune to know Jack personally for many years. I consider him to be a friend, a capable advisor, and someone I am proud to know. Now, he is going to join the UAW leadership at Solidarity House as a vice president for the UAW. His dedication and devotion will be applied for even a broader range of UAW members.

Mr. Speaker, in recognition of a career of devotion and a lifetime of leadership, I urge you and all of our colleagues to join me in wishing Jack Laskowski the very best in his new position, and thank him for his years of